

**TOWN OF ARCADIA**  
**ANNUAL FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2011 AND FOR THE YEAR THEN ENDED**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 19 2012

**TOWN OF ARCADIA**  
**ANNUAL FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**  
**WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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## **MANAGEMENT DISCUSSION AND ANALYSIS**

**DECEMBER, 2011**

This section of the Town of Arcadia, Louisiana's (Town) annual financial report presents our discussion and analysis of the Town's financial performance during the calendar year ended December 31, 2011. Please read it in conjunction with the Town's financial statements, which follow this section.

### **Financial Highlights**

The following exhibits some of the more important highlights from the government-wide financial statements for the year ended December 31, 2011.

1. The Town's total net assets from governmental activities increased \$32,153 from the beginning of the fiscal year as a result of operations during the year;
2. During the year ended December 31, 2011, the Town's total expenses were \$1,994,580 greater than the \$911,755 recognized as revenue from fees, fines and charges for services, made up of mostly water and sewer charges. However, if revenues, such as taxes, licenses and State grants are considered, the Town's revenue exceeded the expenses by \$170,616;
3. The cost of operating programs of the Town was \$2,906,335, which represents a decrease in costs of operations over the prior year of \$1,495,289 or a 34% decrease;
4. The total revenues of the Town were \$3,076,951, which represents a decrease in revenues over the prior year of \$2,858,877 or a 48% decrease;
5. The general fund reported unrestricted net assets of \$865,681;

### **Overview of the Financial Statements**

The annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two (2) kinds of statements that present different views of the Town:

1. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
2. The remaining statements are fund financial statements that focus on individual parts of the Town's governmental operations, reporting the Town's operations in more detail than the government-wide statements,
3. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### **Government-Wide Financial Statements**

Financial reporting at this level uses a perspective similar to the private sector using the economic resources measurement focus and the accrual basis of accounting.

The first of these government-wide statements is the Statement of Net Assets. This government-side statement of position presents information that includes all of the Town's assets and liabilities, with the difference reported as net assets. An increase or decrease in net assets may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other non-financial factors, such as diversification of the taxpayer base, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the Town's net assets changed during the year. All current year revenues and expenses are included regardless of when they are received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both of the above financial statements have separate columns for the two (2) different types of Town activities as follows:

*Governmental Activities* - The government-wide financial statements present governmental activities of the Town which are principally supported by taxes and intergovernmental revenues (grants). Most services normally associated with a town, fall in this category, including general government, public safety, streets and parks and recreations

*Business-Type Activities* - The government-wide financial statements present business-type activities that are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activity of the Town consists of the provision of water and sewer services to the citizens.

The government-wide financial statements are presented on pages 3 and 4.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds, rather than the Town as a whole.

The Town uses two (2) fund categories, governmental funds and proprietary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

*Governmental Funds* - The services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These governmental fund financial statements provide a detailed short-term view of the Town's finances and assists in determining whether there will be adequate resources available to meet the current needs of the Town.

Since focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Users may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented immediately following each of the governmental fund financial statement.

The Town has eight (8) governmental funds, of which two are major funds and are presented in separate columns and six are non-major funds and are combined and presented in one (1) column titled "other governmental funds". The governmental funds are as follows:

**Major Funds**

- General Fund
- Special Revenue Fund - Sales Tax Fund

**Non-major Funds**

- Special Revenue Funds
  - Industrial Development Fund
  - Parks and Recreation Fund
  - Street Fund
  - Industrial Inducement Fund
  - LMA Fund
- Debt Service Fund
- 2002 Sales Tax Refunding Bonds

The fund financial statements are presented on pages 5 through 8.

*Proprietary Fund* - The proprietary fund is used to show activities that operate more like those of commercial enterprises. Since this fund charges fees for services to outside customers, including local governments, it is known as an enterprise fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for the business-type activities and the proprietary fund financial statements.

The Town has one enterprise fund (Water and Sewer Fund), which is considered a major proprietary fund for presentation purposes.

The proprietary fund financial statements are presented on pages 9 through 11.

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 12 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget presentation. Budgetary comparison statements are included as "required supplementary information" for the General Fund and the Sales Tax Fund. These statements demonstrate compliance with the Town's adopted and final revised budget and can be found on pages 23 and 24 in this report.

### Financial Analysis of Governmental-Wide Activities

#### Net Assets

The Town's combined net assets (governmental and business-type activities) decreased during 2011 by \$26,690 or 0.3% from the \$9,849,482 at December 31, 2010, as shown in the following table:

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	1,971,852	2,225,837
Capital assets (net)	<u>8,221,192</u>	<u>8,141,486</u>
Total assets	10,193,044	10,367,323
Liabilities		
Other liabilities	370,252	517,841
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	370,252	517,841
Net assets		
Invested in capital assets, net	8,221,192	8,141,486
Restricted	53,808	44,292
Unrestricted	<u>1,547,792</u>	<u>1,663,704</u>
Total net assets	9,822,792	9,849,482

#### Changes in Net Assets

The following condensed government-wide statement of activity illustrates the major changes in operations for the Town as compared to 2010:

	<u>2011</u>	<u>2010</u>
Revenue		
Governmental	1,935,901	4,257,225
Business-type	<u>1,141,050</u>	<u>1,678,603</u>
Total revenue	3,076,951	5,935,828
Expenses		
Governmental	1,911,475	3,328,906
Business-type	<u>1,199,893</u>	<u>1,072,718</u>
Total expenses	3,111,368	4,401,624
Increase (decrease) in net assets	<u>(34,417)</u>	<u>1,534,204</u>

### Financial Analysis of Individual Funds

As noted above, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Fund

The focus of the Town's governmental fund is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Unrestricted fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At December 31, 2011, the Town's governmental fund, the general fund, reported an ending fund balance of \$47,428, a decrease of \$240,838 compared to the calendar year 2010. The general fund is the chief operating fund of the Town.

#### **Proprietary Fund**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary fund (Water and Sewer Fund) reported operating expenses of \$1,199,893, which was \$340,023 more than operating revenues of \$859,870, for the year ended December 31, 2011. This was a decrease in excess operating revenue of \$9,364 compared to 2010. The proprietary fund reported a decrease of \$58,843 in net assets in the calendar year 2011 compared to an increase of \$605,885 in the calendar year 2010.

#### **Budgetary Highlights**

Formal budgetary integration is employed as a management control device during the calendar year. The budget policy of the Town complies with state law, as amended. And as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S. 39:1302 et seq).

For the General fund actual expenditures exceeded budgeted amount by more than 5%. For the Sales tax fund actual revenues were less than budgeted amount by more than 5%.

#### **Capital Asset Administration**

The Town's investment in capital assets for its governmental and business-type activities at December 31, 2011 totaled \$15,084,307, less accumulated depreciation of \$6,863,115, leaving a \$8,221,192 balance in net capital assets. The investment in capital assets consists of land, buildings, equipment, and water and sewer improvements. The total increase in the Town's investment in capital assets for the year ended December 31, 2011 totaled \$599,873.

#### **Contacting the Town's Financial Management**

The financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report, contact Eugene Smith, Mayor, P.O. Box 767, Arcadia, LA. 71001.



# HEARD, McELROY, & VESTAL

LLC

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November 6, 2012

To the Honorable Mayor  
And the Members of the Town Council  
Town of Arcadia, Louisiana

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arcadia, as of and for the year ended December 31, 2011, which collectively comprise the town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Arcadia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Arcadia, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance and other matters with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through v and the Budgetary Comparison Schedules on pages 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financials statements, is required by the Governmental Accounting Standards Board who considers them to be an essential part of financial reporting for placing the basic financial statements in

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an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it, or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other financial information, on Pages 25 through 27, is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoard, McElroy & Vestal, LLC

Shreveport, Louisiana

## **BASIC FINANCIAL STATEMENTS**

## **Fund Financial Statements**

## **Governmental Funds**

**TOWN OF ARCADIA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 260,727	245,196	\$ 505,923
Investments, at fair value	768,037	329,209	1,097,246
Receivables	266,634	70,337	336,971
Internal balances	(336,609)	336,609	-
Inventory	-	13,639	13,639
Prepaid expenses	18,073	-	18,073
Capital assets, net of depreciation	3,118,174	5,103,018	8,221,192
Total assets	<u>4,095,036</u>	<u>6,098,008</u>	<u>10,193,044</u>
<b>LIABILITIES</b>			
Accounts payable	111,181	25,263	136,444
Deferred revenue	-	180,000	180,000
Deposits	-	53,808	53,808
Total liabilities	<u>111,181</u>	<u>259,071</u>	<u>370,252</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,118,174	5,103,018	8,221,192
Restricted	18,073	53,808	71,881
Unrestricted	847,608	682,111	1,529,719
Total net assets	<u>\$ 3,983,855</u>	<u>\$ 5,838,937</u>	<u>\$ 9,822,792</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ARCADIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 562,814	\$ -	\$ -	\$ -	\$ (562,814)	\$ -	\$ (562,814)
Public safety	662,312	20,827	-	-	(641,485)	-	(641,485)
Public works	314,610	-	-	-	(314,610)	-	(314,610)
Depreciation - unallocated	205,033	-	-	-	(205,033)	-	(205,033)
Cultural and recreation	58,203	-	-	-	(58,203)	-	(58,203)
Economic development	96,445	-	-	-	(96,445)	-	(96,445)
Transportation	12,058	-	-	-	(12,058)	-	(12,058)
Total governmental activities	<u>1,911,475</u>	<u>20,827</u>	<u>-</u>	<u>-</u>	<u>(1,890,648)</u>	<u>-</u>	<u>(1,890,648)</u>
Business-type activities:							
Water system	1,199,893	859,870	-	31,058	-	(308,965)	(308,965)
Total business-type activities	<u>1,199,893</u>	<u>859,870</u>	<u>-</u>	<u>31,058</u>	<u>-</u>	<u>(308,965)</u>	<u>(308,965)</u>
Total primary government	<u>3,111,368</u>	<u>880,697</u>	<u>-</u>	<u>31,058</u>	<u>(1,890,648)</u>	<u>(308,965)</u>	<u>(2,199,613)</u>
General revenues:							
Taxes					1,533,117	-	1,533,117
Licenses and permits					131,194	-	131,194
Intergovernmental					153,742	-	153,742
Use of money and property					38,045	60,000	98,045
Investment earnings					-	25,029	25,029
Other					65,202	-	65,202
Gain (loss) on sale of assets					158,867	-	158,867
Transfers in (out)					(165,093)	165,093	-
Total general revenues and transfers					<u>1,915,074</u>	<u>250,122</u>	<u>2,165,196</u>
Change in net assets					24,426	(58,845)	(34,417)
Net assets - beginning					3,959,429	5,897,780	9,857,209
Net assets - ending					<u>\$ 3,983,855</u>	<u>\$ 5,838,937</u>	<u>\$ 9,822,792</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ARCADIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and cash equivalents	49,705	22,366	\$ 188,656	\$ 260,727
Investments, at fair value	545,568	-	222,469	768,037
Receivables	64,146	110,415	92,073	266,634
Due from other funds	165,747	50,000	557,579	773,326
Prepaid items	18,073	-	-	18,073
<b>Total assets</b>	<u><u>\$ 843,239</u></u>	<u><u>\$ 182,781</u></u>	<u><u>\$ 1,060,777</u></u>	<u><u>\$ 2,086,797</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	17,369	1,656	92,156	111,181
Due to other funds	778,442	216,603	114,890	1,109,935
<b>Total liabilities</b>	<u><u>795,811</u></u>	<u><u>218,259</u></u>	<u><u>207,046</u></u>	<u><u>1,221,116</u></u>
<b>Fund balances:</b>				
Nonspendable	18,073	-	-	18,073
Unrestricted:				
Assigned	-	-	853,731	853,731
Unassigned	29,355	(35,478)	-	(6,123)
<b>Total fund balances</b>	<u><u>47,428</u></u>	<u><u>(35,478)</u></u>	<u><u>853,731</u></u>	<u><u>865,681</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 843,239</u></u>	<u><u>\$ 182,781</u></u>	<u><u>\$ 1,060,777</u></u>	<u><u>\$ 2,086,797</u></u>

The accompanying notes are an integral part of the financial statements.



**TOWN OF ARCADIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

Fund balances - total governmental funds		\$ 865,681
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	4,800,126	
Less accumulated depreciation	<u>(1,681,952)</u>	3,118,174
Net assets of governmental activities		<u>\$ 3,983,855</u>

**TOWN OF ARCADIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>GENERAL.</u>	<u>SALES TAX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Revenues:</b>				
<b>Taxes</b>				
Ad valorem	127,053	-	-	127,053
Sales and use	-	1,328,088	-	1,328,088
Other taxes, penalties and interest	77,976	-	-	77,976
<b>Licenses and permits</b>	131,194	-	-	131,194
<b>Intergovernmental</b>				
Federal	18,411	-	-	18,411
State	48,000	-	87,331	135,331
<b>Fines</b>	20,827	-	-	20,827
<b>Interest</b>	25,756	-	12,289	38,045
<b>Miscellaneous</b>	26,707	-	38,495	65,202
<b>Total revenues</b>	<u>475,924</u>	<u>1,328,088</u>	<u>138,115</u>	<u>1,942,127</u>
<b>Expenditures:</b>				
<b>General government</b>	487,970	18,851	-	506,821
<b>Public safety</b>	662,312	-	-	662,312
<b>Public works</b>	-	-	314,610	314,610
<b>Culture and recreation</b>	-	-	58,203	58,203
<b>Economic development</b>	88,560	-	7,885	96,445
<b>Transportation</b>	12,058	-	-	12,058
<b>Capital Outlay</b>	437,386	-	187,422	624,808
<b>Total expenditures</b>	<u>1,688,286</u>	<u>18,851</u>	<u>568,120</u>	<u>2,275,257</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>(1,212,362)</u>	<u>1,309,237</u>	<u>(430,005)</u>	<u>(333,130)</u>
<b>Other financing sources (uses):</b>				
Sale of assets	-	-	228,867	228,867
Operating transfers in	971,524	-	312,563	1,284,087
Operating transfers out	-	(1,347,488)	(101,692)	(1,449,180)
<b>Total other financing sources (uses)</b>	<u>971,524</u>	<u>(1,347,488)</u>	<u>439,738</u>	<u>63,774</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>(240,838)</u>	<u>(38,251)</u>	<u>9,733</u>	<u>(269,356)</u>
<b>Fund balances, beginning of year</b>	<u>288,266</u>	<u>2,773</u>	<u>843,998</u>	<u>1,135,037</u>
<b>Fund balances, end of year</b>	<u>\$ 47,428</u>	<u>\$ (35,478)</u>	<u>\$ 853,731</u>	<u>\$ 865,681</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ARCADIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - total governmental funds	\$	(269,356)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$	568,815	
Depreciation expense		<u>(205,033)</u>	363,782

Governmental funds report the total proceeds from the sale of assets.

However, in the statement of activities, only the gain or loss is reported.

Proceeds from sale of assets		(228,867)	
Gain (loss) from sale of assets		<u>158,867</u>	<u>(70,000)</u>

Change in net assets of governmental activities	\$	<u>24,426</u>
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## **Proprietary Funds**

**TOWN OF ARCADIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND (UTILITY FUND)  
DECEMBER 31, 2011**

ASSETS	<u>2011</u>
Current assets:	
Cash and cash equivalents	\$ 191,388
Investments	329,209
Receivables	70,337
Due from other funds	450,145
Inventory	<u>13,639</u>
Total current assets	1,054,718
Noncurrent assets:	
Restricted:	
Cash and cash equivalents	53,808
Capital assets (net of accumulated depreciation)	<u>5,103,018</u>
Total assets	<u><u>\$ 6,211,544</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	25,263
Deferred revenue	180,000
Due to other funds	<u>113,536</u>
Total current liabilities	318,799
Current liabilities payable from restricted assets:	
Customer deposits	<u>53,808</u>
Total liabilities	<u>372,607</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,103,018
Restricted	53,808
Unrestricted	<u>682,111</u>
Total net assets	<u><u>\$ 5,838,937</u></u>

**TOWN OF ARCADIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**UTILITY FUND**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>
Operating Revenues:	
Water charges	\$ 714,894
Sewer charges	<u>144,976</u>
Total operating revenues	<u>859,870</u>
Operating expenses:	
General and administrative	102,294
Water department	639,645
Sewer department	212,821
Depreciation	<u>245,133</u>
Total operating expenses	<u>1,199,893</u>
Operating income (loss)	<u>(340,023)</u>
Nonoperating revenues (expenses):	
Use of money and property	60,000
Grants	31,058
Transfers	165,093
Investment earnings	<u>25,029</u>
Total nonoperating revenues (expenses)	<u>281,180</u>
Change in net assets	(58,843)
Net assets, beginning of year	<u>5,897,780</u>
Net assets, end of year	<u><u>\$ 5,838,937</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF ARCADIA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>
Cash flows from operating activities:	
Cash received from customers	884,681
Cash paid to suppliers	(707,699)
Cash paid to employees	(312,783)
Other operating cash payments	(105,484)
Net cash provided (used) by operating activities	<u>(241,285)</u>
Cash flows from noncapital financing activities	
Non-operating transfers (net)	165,093
Cash received from grants	31,058
Net cash provided by noncapital financing activities	<u>196,151</u>
Cash flows from capital and related financing activities:	
Capital expenditures paid in cash	(31,057)
Net cash (used) by capital and related financing activities	<u>(31,057)</u>
Cash flows from investing activities:	
Interest received	85,029
Investments redeemed (purchased)	(25,789)
Net cash provided (used) by investing activities	<u>59,240</u>
Net increase (decrease) in cash and cash equivalents	(16,951)
Cash and cash equivalents: beginning of year	<u>208,339</u>
Cash and cash equivalents: end of year	<u><u>\$ 191,388</u></u>
Reconciliation of operating income to net cash provided (used) by operations:	
Operating income (loss)	<u>\$ (340,023)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	245,133
Decrease in accounts receivable	24,811
Increase in due from other funds	(14,942)
Decrease in accounts payable	(65,722)
Decrease in due to other funds	(30,542)
Decrease in deferred revenue	(60,000)
Total adjustments to operating income	<u>98,738</u>
Net cash provided (used) by operating activities	<u><u>\$ (241,285)</u></u>

The accompanying notes are an integral part of the financial statements.

## **Notes to the Financial Statements**



## TOWN OF ARCADIA

### NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR THEN ENDED DECEMBER 31, 2011

#### INTRODUCTION

The Town of Arcadia was incorporated June 26, 1902 under the provisions of the Lawrason Act (Louisiana Revised Statutes 33321-463). The Town is located in the parish of Bienville in the northwest corner of the state of Louisiana. The Town operates under a mayor-town council form of government. Members of the board are all elected and serve a term of 4 years. The town provides the following services as authorized by its charter: police and fire protection, water and sewerage, streets, industrial development and inducement and general administrative services.

GASB Statement No. 14, The Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and Intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charge to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following governmental funds:

The General fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenues sources that are legally restricted to expenditures for specific purposes.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Town reports the following proprietary funds:

The Water and Sewer fund is to account for the provision of water and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the Town. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

### **C. Deposits and Investments**

The Town's cash and cash equivalents are considered to be demand deposits, interest-bearing demand deposits, and investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value.

### **D. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In the government-wide financial statement, receivables consist of all revenues earned at year end and not yet received. Major receivables for the governmental activities include franchise taxes and sales and use taxes. Business-type activities report customers' utilities service charges as its major receivables. Uncollectible amounts due for ad valorem taxes and customers' utility accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

### **E. Inventories**

Inventory in the water and sewer enterprise fund, consisting of expendable supplies held for consumption, is valued at historical cost.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **F. Restricted Assets**

The Debt Service and Enterprise funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The Enterprise fund also restricts customer meter deposits.

### **G. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), as reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$1,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	20-40 years
Water improvements	5-35 years
Sewer improvements	5-40 years
Equipment and vehicles	4-15 years
Infrastructure improvements	20-40 years

### **H. Compensated Absences**

Employees of the town earn two weeks vacation after one year of service, 3 weeks after ten years of service, and 4 weeks after twenty years of service. Vacation time which is earned but not used during the calendar year cannot be carried forward into the next calendar year, except under special circumstances pre-approved by the Mayor. Vacation time shall be taken in at least one week intervals, unless approved by supervisor. Employees earn 40 hours of sick leave and 24 hours of personal leave each calendar year following the successful completion of the employee's three month probationary period. Only unused sick leave can be accumulated up to 240 hours and can be carried forward to the next year, however, employees will not be compensated upon termination or retirement. Unused, earned vacation leave will be paid for provided the employee gives two full weeks' notice to the town clerk, in writing, of their intention to terminate.

### **I. Long-Term Obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### J. Fund Equity

The Town implemented GASB 54 in the current year. The Town assumes that when amounts are expended for purposes for which funds in any of the unrestricted classifications could be used, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no material reservations or designations for the year ended December 31, 2011.

### K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

### L. Reconciliations of Government-Wide and Fund Financial Statements

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.* The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Governmental capital assets	4,800,126
Less accumulated depreciation	<u>(1,681,952)</u>
Net adjustment	<u>3,118,174</u>

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.* The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Capital outlay	568,815
Depreciation	<u>(205,033)</u>
Book value of assets sold	<u>(70,000)</u>
Net adjustment	<u>293,782</u>

### M. Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2011.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### N. Sales Tax

On October 18, 1997, the voters of the town of Arcadia approved the rededication of the 1987 one cent sales tax to be used and dedicated as follows: 50% for general operating revenue; 30% for constructing, paving, resurfacing, improving, and/or maintaining streets; 10% for acquiring, improving, maintaining and supporting parks and recreation programs in and for the town; and 10% for industrial construction, inducement, and/or procurement. The election on October 18, 1997 extended the levy and collection of the original tax for an additional ten years from June 1, 2002. On July 13, 1991, the voters approved a one percent sales and use tax requiring that at least 40% of the proceeds be used for constructing, acquiring, extending, and/or improving sewer and sewerage disposal facilities and the waterworks system of the town and the remainder to be used for any lawful purpose of the town. The 1991 tax is for a twenty-five year period. The Bienville Parish School Board serves as the collection agent for the sales taxes and is paid a collection fee for acting as such.

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**BUDGET INFORMATION** The Town adopted budgets for the year ended December 31, 2011 for the General fund and Special Revenue fund on a basis consistent with generally accepted accounting principles (GAAP). The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the December meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the December meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year.

The Town was not in compliance with the General Fund budget or the Sales Tax Special Revenue Fund budget. The Town did not budget an adequate amount for General Fund capital outlay, and budgeted more sales tax revenue for the Sales Tax fund than was actually received.

## 3. CASH AND CASH EQUIVALENTS

At December 31, 2011, the Town has cash and cash equivalents (book balances) totaling \$500,264 as follows:

Demand deposits	\$321,402
Investment-bearing demand deposits	73,774
Time deposits	<u>105,088</u>
Total	<u>\$500,264</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2011, the Town has \$570,766 in deposits (collected bank balances). These deposits are secured from risk by \$570,766 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

### 3. CASH AND CASH EQUIVALENTS (Continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

### 4. INVESTMENTS

The Town is a political subdivision of the State of Louisiana and has authority to invest in Federal National Mortgage Association notes under RS 33:2955. Investment in government and agency securities are stated at market value. Unrealized gains or losses are included in investment income under the caption use of money and property. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

At fiscal year-end, the Town's investment balances were as follows:

Type of investment	Category			Carrying Amount		Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	
ENMA Mortgage notes	-	768,037	-	768,037	-	768,037
Total investments	-	768,037	-	768,037	-	768,037

### 5. RECEIVABLES

The receivables of \$366,971 at December 31, 2011, are as follows:

	General Fund	Special Revenue funds	Water and sewer fund	Total
Taxes:				
Ad valorem	38,270	-	-	38,270
Sales and use	-	110,415	-	110,415
Other taxes, penalties, and interests	11,238	-	-	11,238
Intergovernmental – state	9,530	87,331	-	96,861
Accounts	-	-	70,337	70,337
Other	5,108	4,742	-	9,850
Total	64,146	202,488	70,337	336,971

## 6. RESTRICTED ASSETS

Restricted assets of business-type activities were applicable to the following at December 31, 2011:

	Enterprise fund
	<u>Customer Deposits</u>
Cash	26,885
Certificate of deposits	<u>26,923</u>
Total	<u>53,808</u>

## 7. AD VALOREM TAXES

For the year ended December 31, 2011, taxes of \$126,624 were levied on property with assessed valuations totaling \$21,644,350 and were dedicated as follows:

General corporate purposes                      5.85 mills

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Type of business</u>	<u>Assessed Valuation</u>	<u>% of Total Ad valorem Tax Assessed Valuation</u>	<u>Revenue for Town</u>
Haynes International, Inc.	Tublar Production	2,574,950	11.91	15,083
House of Raeford Farms	Poultry Productions	2,187,470	10.11	12,797
Total		<u>4,762,420</u>	<u>22.02</u>	<u>27,880</u>

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

## 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2011 is as follows:

	<u>Due from</u>	<u>Due to</u>
General fund	165,747	775,982
Payroll fund	-	2,460
Special revenue funds		
Sales tax	50,000	216,603
Street	27,983	58,028
Industrial inducement	399,366	52,599
Parks and Recreation	50,994	4,263
Debt service fund	79,236	-
Water and sewer fund	511,745	175,136
Total	<u>1,285,071</u>	<u>1,285,071</u>



## 9. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2011, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	<u>475,375</u>	<u>-</u>	<u>-</u>	<u>475,375</u>
Total capital assets, not being depreciated	<u>475,375</u>	<u>-</u>	<u>-</u>	<u>475,375</u>
Capital assets being depreciated:				
Buildings	929,327	198,816	(300,000)	828,143
Vehicles	157,941	-	-	157,941
Improvements	1,972,640	363,999	-	2,336,639
Equipment	<u>996,028</u>	<u>6,000</u>	<u>-</u>	<u>1,002,028</u>
Total capital assets being depreciated	<u>4,055,936</u>	<u>568,815</u>	<u>(300,000)</u>	<u>4,324,751</u>
Less accumulated depreciation	<u>1,706,919</u>	<u>205,033</u>	<u>(230,000)</u>	<u>1,681,952</u>
Total capital assets being depreciated, net	<u>2,824,392</u>	<u>363,782</u>	<u>(70,000)</u>	<u>3,118,174</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	<u>268,628</u>	<u>-</u>	<u>-</u>	<u>268,628</u>
Total capital assets, not being depreciated	<u>268,628</u>	<u>-</u>	<u>-</u>	<u>268,628</u>
Capital assets being depreciated:				
Water wells	971,365	-	-	971,365
Pumping plant	105,235	-	-	105,235
Purification plant	111,489	-	-	111,489
Storage reservoir tanks	194,176	-	-	194,176
Water distribution system	2,267,225	31,057	-	2,298,282
General equipment	244,784	-	-	244,784
Office equipment	19,130	-	-	19,130
Improvements	7,800	-	-	7,800
Sewer system	5,895,762	-	-	5,895,762
Vehicles	<u>167,530</u>	<u>-</u>	<u>-</u>	<u>167,530</u>
Total capital assets being depreciated	<u>9,984,496</u>	<u>31,057</u>	<u>-</u>	<u>10,015,553</u>
Less accumulated depreciation	<u>4,936,030</u>	<u>245,133</u>	<u>-</u>	<u>5,181,163</u>
Total capital assets being depreciated, net	<u>5,317,094</u>	<u>(214,076)</u>	<u>-</u>	<u>5,103,018</u>

Depreciation expense of \$187,693 and \$17,340 for the year ended December 31, 2011, was charged to general government and public safety, respectively.

## 10. RETIREMENT

Substantially all employees of the Town are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana and Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

### A. Municipal Employees Retirement System of Louisiana (System)

*Plan Description.* The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age after 55 with at least 30 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced three percent for each year retirement precedes age 60, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, LA 70809, or by calling (225) 925-4810.

*Funding Policy.* Under Plan B, members are required by state statute to contribute 5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 8% of annual covered payroll. Contributions to the System also include one-fourth on one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan B for the years ending December 31, 2011, 2010, and 2009 were \$36,158, \$49,729, and \$49,789, respectively.

### B. Police Employees Retirement System of Louisiana (System)

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service, or at age 55 with at least 12 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

#### 10. RETIREMENT (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Blvd., Baton Rouge, LA 70809-2250, or by calling (225) 929-7411.

*Funding Policy.* Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 26% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ending December 31, 2011, 2010, and 2009 were \$68,473, \$57,803, and \$49,892, respectively, equal to the required contributions for each year.

#### 11. CONTINGENT LIABILITIES

As of December 31, 2011, the Town was involved in two matters named as defendant. The matters are: 1) Ray Harmon vs. Town of Arcadia and 2) Brian & Mindy Edmonson vs. Town of Arcadia. The latter matter is proceeding slowly and once discovery has been complete the matter will be set for trial. The Town would not be vulnerable for money damages. The former matter does involve lost wages, attorney fees and penalties. This matter was set for trial but it has never been rescheduled. Therefore, if unsuccessful, the Town would be responsible for money damages. If this occurs, the attorney estimates damages not to exceed \$10,000. There is no urgency because the contention has been and was that all time, wages, vacation, etc. due the plaintiff were given to him.

#### 12. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended December 31, 2011, the State made contributions of \$45,250.

### **Required Supplemental Information**

TOWN OF ARCADIA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(unaudited)

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Taxes				
Ad valorem	\$ 170,000	\$ 170,000	\$ 127,053	\$ (42,947)
Other taxes, penalties and interest	110,000	110,000	77,976	(32,024)
Licenses and permits	92,800	92,800	131,194	38,394
Intergovernmental	42,100	42,100	66,411	24,311
Fines	25,000	25,000	20,827	(4,173)
Use of money and property	12,500	12,500	25,756	13,256
Miscellaneous	20,120	20,120	26,707	6,587
Total revenues	472,520	472,520	475,924	3,404
Expenditures:				
Current:				
General government	494,706	494,706	487,970	6,736
Public safety	644,153	644,153	662,312	(18,159)
Economic development	90,840	90,840	88,560	2,280
Health and welfare	1,200	1,200	-	1,200
Transportation	6,500	6,500	12,058	(5,558)
Capital outlay	41,000	41,000	437,386	(396,386)
Total expenditures	1,278,399	1,278,399	1,688,286	(409,887)
Excess (deficiency) of revenue over expenditures	(805,879)	(805,879)	(1,212,362)	(406,483)
Other financing sources (uses):				
Operating transfers (net)	812,625	812,625	971,524	158,899
Total other financing sources (uses)	812,625	812,625	971,524	158,899
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,746	6,746	(240,838)	(247,584)
Fund balances, beginning of year	288,266	288,266	288,266	-
Fund balances, end of year	\$ 295,012	\$ 295,012	\$ 47,428	\$ (247,584)

**TOWN OF ARCADIA  
SPECIAL REVENUE FUND TYPES  
SALES TAX FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(unaudited)**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Revenues:				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,328,088	\$ (171,912)
Interest	30	30	-	(30)
Total revenues	<u>1,500,030</u>	<u>1,500,030</u>	<u>1,328,088</u>	<u>(171,942)</u>
Expenditures:				
General government	<u>22,500</u>	<u>22,500</u>	<u>18,851</u>	<u>3,649</u>
Total expenditures	<u>22,500</u>	<u>22,500</u>	<u>18,851</u>	<u>3,649</u>
Excess (deficiency) of revenue over expenditures	<u>1,477,530</u>	<u>1,477,530</u>	<u>1,309,237</u>	<u>(168,293)</u>
Other financing sources (uses):				
Operating transfers (net)	<u>(1,477,500)</u>	<u>(1,477,500)</u>	<u>(1,347,488)</u>	<u>130,012</u>
Total other financing sources (uses)	<u>(1,477,500)</u>	<u>(1,477,500)</u>	<u>(1,347,488)</u>	<u>130,012</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>30</u>	<u>30</u>	<u>(38,251)</u>	<u>(38,281)</u>
Fund balances, beginning of year	<u>2,773</u>	<u>2,773</u>	<u>2,773</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,803</u>	<u>\$ 2,803</u>	<u>\$ (35,478)</u>	<u>\$ (38,281)</u>

## Supplementary Information

TOWN OF ARCADIA  
COMBINING BALANCE SHEET, NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	STREET	INDUSTRIAL INDUCEMENT	ECONOMIC DEVELOPMENT	PARKS AND RECREATION	LMA	DEBT SERVICE	TOTAL OTHER GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash and cash equivalents	16,787	72,570	52,235	35,654	11,410	-	\$ 188,656
Investments	-	222,469	-	-	-	-	222,469
Receivables	13,262	78,811	-	-	-	-	92,073
Due from other funds	27,983	399,366	-	50,994	-	79,236	557,579
Total assets	<u>\$ 58,032</u>	<u>\$ 773,216</u>	<u>\$ 52,235</u>	<u>\$ 86,648</u>	<u>\$ 11,410</u>	<u>\$ 79,236</u>	<u>\$ 1,060,777</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	9,598	81,872	-	686	-	-	92,156
Due to other funds	58,038	52,599	-	4,263	-	-	114,890
Total liabilities	<u>67,626</u>	<u>134,471</u>	<u>-</u>	<u>4,949</u>	<u>-</u>	<u>-</u>	<u>207,046</u>
<b>Fund balances:</b>							
Reserved	-	-	-	-	-	-	-
Unreserved	(9,594)	638,745	52,235	81,699	11,410	79,236	853,731
Total fund balances	<u>(9,594)</u>	<u>638,745</u>	<u>52,235</u>	<u>81,699</u>	<u>11,410</u>	<u>79,236</u>	<u>853,731</u>
Total liabilities and fund balances	<u>\$ 58,032</u>	<u>\$ 773,216</u>	<u>\$ 52,235</u>	<u>\$ 86,648</u>	<u>\$ 11,410</u>	<u>\$ 79,236</u>	<u>\$ 1,060,777</u>



**TOWN OF ARCADIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>STREET</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>PARKS AND RECREATION</u>	<u>LMA</u>	<u>DEBT SERVICE</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
Revenues:							
Intergovernmental	\$ 8,520	\$ 78,811	\$ -	\$ -	\$ -	\$ -	\$ 87,331
Interest	16	12,240	-	33	-	-	12,289
Miscellaneous	<u>4,285</u>	<u>26,175</u>	<u>-</u>	<u>-</u>	<u>8,035</u>	<u>-</u>	<u>38,495</u>
Total revenues	12,821	117,226	-	33	8,035	-	138,115
Expenditures:							
Economic development	-	\$50	2,683	-	4,352	-	7,885
Public works	314,610	-	-	-	-	-	314,610
Culture and recreation	-	-	-	58,203	-	-	58,203
Capital outlay	<u>11,420</u>	<u>170,277</u>	<u>-</u>	<u>5,725</u>	<u>-</u>	<u>-</u>	<u>187,422</u>
Total expenditures	<u>326,030</u>	<u>171,127</u>	<u>2,683</u>	<u>63,928</u>	<u>4,352</u>	<u>-</u>	<u>568,120</u>
Excess (deficiency) of revenue over expenditures	<u>(313,209)</u>	<u>(53,901)</u>	<u>(2,683)</u>	<u>(63,895)</u>	<u>3,683</u>	<u>-</u>	<u>(430,005)</u>
Other financing sources (uses):							
Sales of assets	-	228,867	-	-	-	-	228,867
Operating transfers in	248,245	-	-	64,318	-	-	312,563
Operating transfers out	<u>-</u>	<u>(101,692)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,692)</u>
Total other financing sources (uses)	<u>248,245</u>	<u>127,175</u>	<u>-</u>	<u>64,318</u>	<u>-</u>	<u>-</u>	<u>439,738</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(64,964)</u>	<u>73,274</u>	<u>(2,683)</u>	<u>423</u>	<u>3,683</u>	<u>-</u>	<u>9,733</u>
Fund balances, beginning of year	<u>55,370</u>	<u>565,471</u>	<u>54,918</u>	<u>81,276</u>	<u>7,727</u>	<u>79,236</u>	<u>845,998</u>
Fund balances, end of year	<u>\$ (9,594)</u>	<u>\$ 638,745</u>	<u>\$ 52,235</u>	<u>\$ 81,699</u>	<u>\$ 11,410</u>	<u>\$ 79,236</u>	<u>\$ 853,731</u>

TOWN OF ARCADIA  
SCHEDULE OF COMPENSATION PAID ELECTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Board Member:</u>	<u>Amount</u>
Maggie Roberson (mayor protem)	8,400
Doretha Nelson	7,800
Billy Roy Cook	7,800
Mattie Lou Harris	7,800
Gary Carlisle	<u>7,800</u>
Total	<u>39,600</u>

## Other Reports

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525

SHREVEPORT, LOUISIANA 71101

318-429-1525 PHONE • 318-429-2070 FAX

November 6, 2012

To the Honorable Mayor  
And the Members of the Town Council  
Town of Arcadia, Louisiana

Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, Louisiana as of and for the year ended December 31, 2011, which collectively comprise the Town of Arcadia's basic financial statements and have issued our report thereon dated November 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit Guide, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control over financial reporting that we consider to be material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a

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timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs listed as 2011-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as 2011-2 and 2011-3 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Arcadia, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2011-2 and 2011-3.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town Council and federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 23:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Heard, McElroy & Vestal, LLC

TOWN OF ARCADIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Town of Arcadia, Louisiana.
2. Three significant deficiencies relating to the audit of the basic financial statements are reported, one of which is considered to be a material weakness.
3. Two instances of noncompliance relating to the basic financial statements of the Town of Arcadia, Louisiana were disclosed during the audit.
4. No federal single audit was required under Circular A-133 relating to the financial statements of the Town of Arcadia, Louisiana.

**B. Findings – Financial Statement Audit.**

**2011-1: Accounting Staff:**

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Town's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor does management have the ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls. This condition is intentional and results from management balancing the Town's financial complexity with the appropriate level of accounting expertise. Whether or not it would be cost effective to correct a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under SAS 115.

**2011-2: Budget Variance:**

The Town had an unfavorable variance of more than 5% in its General Fund expenditures and Sales Tax Special Revenue Funds revenues during the year. The Budget Act requires that the budget be amended when the variance exceeds 5%.

**2011-3: Filing of Audit Report:**

The audit report was not submitted to the Legislative Auditor within 180 days of the close of the entity's fiscal year as required by state statute.

TOWN OF ARCADIA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011

2010-1: Accounting Staff:

Status: Unresolved – repeated as 2011-1.

2010-2: Inadequate internal controls:

Status: Resolved.

2010-3: Water and sewer fund issues:

Status: Resolved.

TOWN OF ARCADIA  
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011

2011-1

The Town has hired an outside CPA to propose certain year-end adjustments and to assist in the preparation of the Town's annual financial statements. This will provide the Town with the proper tools needed for the preparation of the annual financial statements in accordance with generally accepted accounting principles.

2011-2

The above noted CPA will assist the Town in monitoring the budget on a quarterly basis and will recommend amendments before the Town Council when the budgets' variances exceed 5% as required by the Budget Act.

2011-3

The above noted CPA will monitor financial reports, make the necessary adjustments throughout the year as well as year-end adjustments, and assist in the preparation of the annual financial statements to aid the Town in preparation for the annual audit. This will allow the Town to be able to file the annual audit within 180 days of the close of Town's fiscal year as required by state statute.